

HOUSE BILL REPORT

ESHB 1332

As Amended by the Senate

Title: An act relating to property tax deferral during the COVID-19 pandemic.

Brief Description: Concerning property tax deferral during the COVID-19 pandemic.

Sponsors: House Committee on Finance (originally sponsored by Representatives Sullivan, Ramel, Leavitt, Dufault, Hackney, Wylie, Santos, Ortiz-Self, Ormsby, Rule, Stokesbary, Callan, Pollet and Macri).

Brief History:

Committee Activity:

Finance: 1/26/21, 2/18/21 [DPS].

Floor Activity:

Passed House: 3/5/21, 96-1.

Senate Amended.

Passed Senate: 4/10/21, 49-0.

Brief Summary of Engrossed Substitute Bill

- Requires county treasurers to grant a deferral of 2021 property tax payments for certain businesses via establishment of a payment plan.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 16 members: Representatives Frame, Chair; Berg, Vice Chair; Walen, Vice Chair; Orcutt, Ranking Minority Member; Dufault, Assistant Ranking Minority Member; Chase, Chopp, Harris-Talley, Morgan, Orwall, Ramel, Springer, Stokesbary, Thai, Vick and Wylie.

Staff: Rachelle Harris (786-7137).

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Background:

Property Tax Statements and Payment Due Dates.

All real and personal property in Washington is subject to property tax, unless the law provides a specific exemption. All taxes on real and personal property are due and payable to the county treasurer. To avoid interest and penalties, at least half of the amount owed is due by April 30, and the full balance is due by October 31. If the tax is less than \$50, the entire payment must be paid in full by April 30. Delinquent tax payments are subject to interest and penalties.

Tax Delinquencies.

Delinquent tax payments are subject to interest and penalties. Interest is charged at a rate of 1 percent per month on the full amount due from the month of delinquency until the delinquency is paid in full. In addition, a 3 percent penalty is also imposed on the unpaid amount of current taxes on June 1 with an additional 8 percent penalty imposed on the unpaid amount of current taxes as of December 1.

Payment Options.

A county treasurer may accept prepayments for current year taxes provided the payments are paid in full by the statutory tax payment due dates. A treasurer may also provide a payment agreement to a taxpayer for payment of any current or delinquent taxes owed.

Summary of Engrossed Substitute Bill:

County treasurers must grant a deferral of taxes due in 2021 via the establishment of a payment plan for qualifying businesses. To qualify, a business must demonstrate a loss of at least 25 percent of revenue for calendar year 2020 compared to calendar year 2019. A deferral must be requested from the county treasurer on forms developed by the Department of Revenue. Penalties and interest are not be applied to taxes due under the deferral payment plan so long as the terms of the payment plan are fully met.

An owner of real property receiving a deferral must pass on the entire benefit to a tenant or sublessee if the tenant or sublessee is required by the lease or other contract to pay the property tax expense of the owner.

EFFECT OF SENATE AMENDMENT(S):

The Senate amendment:

- clarifies that a request for extension for payment of 2021 property taxes must be made by April 30, 2021, by an eligible taxpayer;
- requires applicants for an extension to certify under penalty of perjury that the information provided in a request for an extension is true and correct;
- provides county treasurers additional time to process requests for extension of 2021 property taxes until June 30, 2021;

- allows county treasurers to approve extension requests based solely on the information contained in a request for extension;
- allows county treasurers to seek assistance from the Department of Revenue in determining whether a taxpayer qualifies for an extension;
- authorizes the Department of Revenue to audit taxpayers receiving an extension to verify their eligibility for the extension;
- allows the Department of Revenue to provide county treasurers with an opinion as to a person's eligibility for an extension, but does not require the department to share specific details about a person's income with the county treasurers;
- adds an expiration date of January 1, 2022;
- requires taxing districts within a county to report to the county treasurer their fund balance by April 30, 2021; and
- allows county treasurers to not grant extensions within that county if granting such extensions prevents any taxing jurisdiction from making scheduled bond payments.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) This state is experiencing extremely low use of hospitality services in the time of COVID-19. Many businesses are under the burden of large debt, and this is a problem that will keep getting worse. This bill will allow businesses that have experienced harm to postpone payments of their property tax. This will help businesses deal with property tax obligations in these difficult times. The Washington Hospitality Association is interested in making it clear that if there is a tenant in a space, the benefit from this bill would flow to the tenant and not remain with the landlord. Hotels are suffering enormously because their revenues have fallen steeply.

(Opposed) Though this measure is intended to seek relief for property tax owners, it undermines the entire system of property taxation. The suspension of all interest and penalties for all taxpayers during emergency and for one year after means that some taxpayers would decide not to pay in a timely fashion. This could result in a huge impact on revenues. Verifying the reduction in income is likely impossible, and the resources to try and do so do not exist.

(Other) Caution needs to be made to understand the impacts on school districts. The deferral crosses multiple fiscal years, which could affect debt payments. It is not clear that school districts will qualify for these loans, so clarifying language would be helpful. There is variation in how counties assess and calculate interest, which creates complication.

Persons Testifying: (In support) Julia Gorton, Washington Hospitality Association; and Shaiza Damji, 360 Hotel Group.

(Opposed) Mike Lonergan, Washington State Association of County Treasurers.

(Other) Chris Brenengen and Barbara Posthumus, School Alliance.

Persons Signed In To Testify But Not Testifying: Jonathan Pears; Clyde Priddy; Beth Hubbard; Tony Sam; Gordon Haggerty, 2310 Yale Apartments, LLC; Christopher Gurdjian; Shaun Scott; Alicia Rowell, Dobler Management Company; David Monk; Jim Henderson, Rental Housing Association of Washington; Patti Hoendermis, Yakima Valley Landlords Association; Susan Gonzales; Susan Schenck; Marissa Rathbone, Washington State School Directors' Association; Michael Baumgartner, Spokane County; Lorrell Noahr, Washington Education Association; Charlie Brown, Federal Way School District; and Billy Wessell, Bethel School District.